

Retail Investors Need Fair, Affordable Dispute Resolution in Registered Investment Advisors (RIA) Contracts

Issue: A Systemic Disparity in Investor Protection: The framework for dispute resolution is straightforward for claims involving broker-dealers (BDs), as customer agreements are regulated by FINRA rules, and FINRA provides a standardized arbitration forum. Unlike BDs, RIAs are not subject to FINRA's oversight or rules, meaning a comparable arbitration framework does not exist to resolve disputes between RIAs and clients.

Because investment advisory agreements between RIAs and clients are not limited or regulated by any self-regulatory organization (SRO) or uniform regulator, mandatory arbitration clauses often include draconian provisions that harm investors. The lack of constraints on an RIA's use of these provisions raises serious questions about consistency, fairness, and fundamental access to justice.

The Financial Barrier: Pricing Investors Out of Justice: RIA agreements frequently dictate the selection of the forum, rules, and venue—often without consideration of the client's physical location—which increases costs for the client in favor of the RIA. These provisions often make it cost-prohibitive for retail investors to file claims.

For instance, FINRA arbitration claims have a maximum \$2,875 filing fee, with additional arbitrator compensation regulated and paid at the end of the proceeding. In contrast, an arbitration hearing in AAA under its commercial rules has a maximum filing fee of more than \$13,500 required upfront, and a final fee of \$19,250 before the first hearing, not including substantial fees paid to the arbitrators. In total, fees can run in the **tens of thousands of dollars just to have a dispute adjudicated**, deterring claimants from bringing viable claims against their RIAs. If the RIA refuses to pay its share, the investor must bear the full cost of arbitration or have the case dismissed.

Draconian Contract Provisions & Fiduciary Hypocrisy: RIAs owe a strict fiduciary duty to their clients, yet their arbitration clauses routinely strip away fundamental legal rights. Other harmful provisions, like **class action waivers**, **damage limitations**, and **claim limitations**, are found in RIA-client agreements but are strictly prohibited in BD-customer agreements by FINRA rules. Furthermore, in some instances, investment advisory agreements require clients to arbitrate all disputes but permit the RIA to pursue all other legal remedies in court.

Current Record: Section 921(b) of the Dodd-Frank Act amended the Investment Advisers Act of 1940, explicitly extending the Securities and Exchange Commission's (SEC) rulemaking authority to regulate arbitration between investment advisers and their clients. Under this authority, the House Appropriations Committee directed the SEC to study the impact of mandatory arbitration clauses. The [SEC's 2023 study](#) found that about 61% of SEC-registered advisers serving retail clients use mandatory arbitration clauses. More recently, in the summer of 2025, the SEC Investor Advisory Committee advanced [specific recommendations](#) to ban the most harmful clauses and assess the sprawling scope of RIA forced arbitration.

Proposed Solution: The current trajectory of RIA arbitration effectively acts as a liability shield for bad actors. Action must be taken to level the playing field:

1. **Exercise Statutory Authority:** Congress empowered the SEC in the Dodd-Frank Act to regulate arbitration agreements for broker-dealers and RIAs; the SEC must now exercise this authority to limit or restrict the enforceability of these agreements.
2. **Mandate Clause Modifications:** The SEC should mandate changes to arbitration clauses through Commission interpretations regarding the standard of conduct by RIAs. Specifically, any clause that violates an RIA's fiduciary duty by imposing damage caps or class-action waivers must be prohibited.

ASK: PIABA respectfully requests that Your office sign on to a letter directed to Chairman Atkins requesting that the SEC use its statutory authority and prohibit the use of unfair and abusive mandatory arbitration clauses.